

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

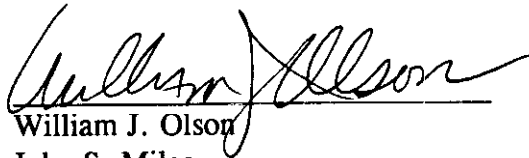
POSTAL RATE AND FEE CHANGES, 1997)

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Docket No. R97-1
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RESPONSE OF NASHUA PHOTO INC., DISTRICT PHOTO INC.,
MYSTIC COLOR LAB, AND SEATTLE FILMWORKS, INC.
TO INTERROGATORIES
OF UNITED STATES POSTAL SERVICE (USPS/NDMS-T2-11-14)
(February 11, 1998)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Nashua Photo Inc., District Photo Inc., Mystic Color Lab, and Seattle FilmWorks, Inc., hereby provide the responses of witness John Haldi to the following interrogatories of the United States Postal Service: USPS/NDMS-T2-11-14, filed on January 28, 1998. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,



William J. Olson

John S. Miles

Alan Woll

John F. Callender, Jr.

WILLIAM J. OLSON, P.C.

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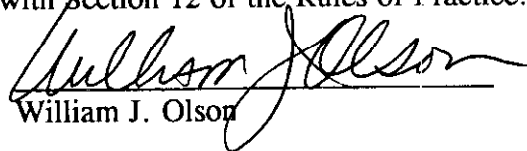
McLean, Virginia 22102-3823

(703) 356-5070

Counsel for Nashua Photo Inc., District Photo Inc.,
Mystic Color Lab, and Seattle FilmWorks, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



William J. Olson

February 11, 1998

USPS/NDMS-T2-11.

Please refer to your testimony at pages 32 to 37 where you discuss your treatment of distance-related transportation cost. You recommend not marking up distance-related transportation cost for the purpose of Priority Mail rate design. You also state that "costs avoided and costs incurred are (and should be treated as) the opposite side of the same coin." NDMS-T-2 at 35.

- (a) In your opinion, should other *non-transportation* costs avoided under workshare discount programs also not be marked up in the rate design process? If so, please explain fully, and identify all cost elements you would not markup in Priority Mail. If not, please explain fully, including your complete rationale for limiting your recommendation.
- (b) Is it your testimony that transportation-related costs for other classifications, such as bound printed matter and parcel post, not be marked up? Please explain fully.

Response:

- (a) I am not aware of any intermediate labor costs that are or would be avoided when Priority Mail is entered at some point closer to the final destination, and I am aware of no other cost elements regarding when the decision to impose a markup must be made.
- (b) I have not testified about BPM or parcel post.

USPS/NDMS-T2-12.

Please refer to your testimony at page 6, lines 14 through 15, where you state: "When a package of prints weighs more than one pound, certain companies send such packages direct, via **Priority Mail**." [Emphasis original] Please specify the means by which companies other than these "certain companies" send their packages of prints weighing more than one pound.

Response:

In addition to use of Priority Mail, the options are (i) to split the contents into two Standard A Regular packages, each of which weighs less than one pound, or (ii) send the package via an alternate delivery service, such as UPS. Those companies that do not send individual Priority Mail packages use one or both of the above options.

Response of Dr. John Haldi to USPS/NDMS-T2-13
Page 1 of 1

USPS/NDMS-T2-13.

Please refer to your table at the top of page 16 of your testimony. Please confirm that, under the Postal Service's proposal, for mailers using electronic manifests, the rate differentials you have identified would be between a First-Class Mail service without delivery confirmation service and a Priority Mail service with delivery confirmation service. If you do not confirm, please explain fully.

Response:

Confirmed.

USPS/NDMS-T2-14.

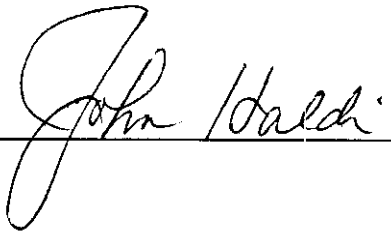
Please refer to your testimony at page 17, lines 6 to 7, where you state that the Postal Service developed an econometric model "to estimate the price elasticity of Priority Mail." Please confirm that the model in question estimates one own-price elasticity for Priority Mail as a whole. If you do not confirm, please explain fully.

Response:

Confirmed.

DECLARATION

I, John Haldi, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.



Dated: February 11, 1998